

# NOTES TO CONDENSED FINANCIAL STATEMENTS

## 1. Accounting Policies

The condensed consolidated interim financial statements are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” and the relevant disclosure requirements as stipulated in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The accounting policies and the basis of preparation adopted are consistent with those adopted in the financial statements of the Group for the year ended December 31, 2001 except in relation to SSAP1 (Revised) and SSAP15 (Revised).

The Group has complied with SSAP1 (Revised) and SSAP15 (Revised) for the first time in this interim reporting period. As a result, a condensed consolidated statement of changes in equity is presented and the comparatives of the condensed consolidated cash flow statement for the six months ended June 30, 2001 have been restated to reflect the requirements of the SSAP.

# NOTES TO CONDENSED FINANCIAL STATEMENTS (CONT'D)

## 2. Turnover and Segment Information

During the Period, the principal activities of the Group did not change. The principal activities by operating results are summarized as follows:

	For the six months ended June 30			
	2002		2001	
	Turnover Rmb'000	Profit contribution Rmb'000	Turnover Rmb'000	Profit contribution Rmb'000
Segment by business activities				
Toll	963,081	764,022	740,122	583,696
Advertising	11,547	5,675	9,444	6,563
Service areas	21,355	6,005	4,547	1,460
	<u>995,983</u>	<u>775,702</u>	<u>754,113</u>	<u>591,719</u>
Others		65,392		170,439
Administrative expenses		(28,091)		(25,981)
Other operating expenses		(20,671)		(9,978)
Profit from operating activities		<u>792,333</u>		<u>726,199</u>

No further analysis of the turnover and profit from operating activities by geographical segment was prepared as the turnover and profit from operating activities of the Group were all generated from Zhejiang Province, the PRC during the Period.

## NOTES TO CONDENSED FINANCIAL STATEMENTS (CONT'D)

### 3. Other Revenue

	For the six months ended June 30	
	2002	2001
	Rmb'000	Rmb'000
Revenue from short-term investments	37,382	74,819
Interest income	7,147	29,848
Rental income	4,351	1,809
Trailer income	4,620	4,039
Exchange gain	1,962	53,172
Others*	9,929	6,752
Total	65,392	170,439

\* Include revenue from sale of gasoline and other merchandises at service areas.

### 4. Profit from Operating Activities

The Group's profit from operating activities is arrived at after charging:

	For the six months ended June 30	
	2002	2001
	Rmb'000	Rmb'000
Depreciation	109,288	96,879
Amortisation of expressway operating rights	4,350	4,350
Amortisation of goodwill	5,481	1,246
Staff costs	31,833	32,420

# NOTES TO CONDENSED FINANCIAL STATEMENTS (CONT'D)

## 5. Taxation

According to the relevant regulations of taxation in the PRC, Zhejiang Shangsang Expressway Co., Ltd. ("Shangsang Co"), a 63% owned subsidiary of the Company, qualified for preferential taxation treatments by providing sufficient employment opportunities to the jobless. Consequently Rmb16,750,000 in taxation was refunded (half of the profit tax paid in 2001) to Shangsang Co during the Period.

Save for the above, the Group has paid taxation at a rate of 33% since January 1, 2002. No Hong Kong profits tax has been provided, as the Group had no taxable profits in Hong Kong during the Period.

	For the six months ended June 30	
	2002	2001
	Rmb'000	Rmb'000
Group:		
Taxation charged	180,724	150,122
Taxation refunded/refundable	(16,750)	(36,115)
	163,974	114,007
Deferred	47,477	46,236
Share of taxation attributable to associates	3,136	13,983
Share of deferred taxation attributable to associates	(2,183)	1,994
Share of deferred taxation attributable to a jointly-controlled entity	492	517
Taxation charged for the period	212,896	176,737

## 6. Dividends

The Directors recommend the payment of an interim dividend of Rmb4.0 cents (approximately HK3.8 cents) (2001: an interim dividend of Rmb3.0 cents (approximately HK2.8 cents)). The recommendation has been set out in the financial statements.

## NOTES TO CONDENSED FINANCIAL STATEMENTS (CONT'D)

### 7. Earnings per Share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the Period of Rmb446,018,000 (for the six months ended June 30, 2001: Rmb367,899,000) and the 4,343,114,500 shares (June 30, 2001: 4,343,114,500 shares) in issue during the Period.

Diluted earnings per share for the period ended June 30, 2002 have not been calculated, as no diluting event occurred during the Period.

### 8. Fixed Assets

There were no significant changes to the Group's fixed assets during the Period.

### 9. Trade Receivables

The aging analysis of trade receivables as at June 30, 2002 and the comparative figures of December 31, 2001 are as follows:

	As of June 30, 2002 Rmb'000 Unaudited	As of December 31, 2001 Rmb'000 Audited
Within 1 year	20,434	44,918
1 to 2 years	—	9,301
2 to 3 years	—	—
Total	20,434	54,219

The Group allows an average credit period of approximately 180 days to its trade customers.

# NOTES TO CONDENSED FINANCIAL STATEMENTS (CONT'D)

## 10. Trade Payables

The aging analysis of trade payables as at June 30, 2002 and the comparative figures of December 31, 2001 are as follows:

	As of June 30, 2002 Rmb'000 Unaudited	As of December 31, 2001 Rmb'000 Audited
Within 1 year	103,404	113,793
1 to 2 years	13,879	126,796
2 to 3 years	33,118	229
Total	<u>150,401</u>	<u>240,818</u>

## 11. Related Party Transactions

The following is a summary of significant related party transactions carried out in the ordinary course of business between the Company, its subsidiaries and certain government bodies during the Period.

Under a reorganization agreement, Zhejiang Provincial High Class Highway Investment Co., Ltd. (Replaced by Zhejiang Communications Investment Group Co., Ltd., "CIG") gave a number of undertakings to the Company, including a non-competition undertaking, a tax indemnity, and an indemnity against losses incurred, which were not expressly transferred to the Company pursuant to the reorganizations and general indemnity provisions against any breach of representation warranty and undertakings contained in the agreement.

## NOTES TO CONDENSED FINANCIAL STATEMENTS (CONT'D)

### 11. Related Party Transactions (Cont'd)

On August 20, 2002, the Company entered into a sale and purchase agreement to purchase from CIG a 6.625% equity interest (the "CIG Acquisition") in Shangsang Co for a consideration of Rmb187.62 million (equivalent to approximately HK\$177 million)(the "CIG Purchase Consideration") in cash.

CIG is the controlling shareholder of the Company and as such is a connected person of the Company for the purposes of the Listing Rules. Accordingly, the CIG Acquisition constitutes a connected transaction for the Company under rule 14.23 of the Listing Rules. Since the CIG Purchase Consideration represents less than 3% of the book value of the net tangible assets of the Company as disclosed in its latest published audited accounts, no shareholder approval is required under rule 14.25 of the Listing Rules.

### 12. Approval of Financial Statements

The financial statements were approved by the board of directors on August 19, 2002.